1.0 Purpose and Scope

This policy addresses underwriting options available through Impac Mortgage Corp. ("Impac") for the correspondent seller. In addition to being delegated to underwrite loans on behalf of Impac, the correspondent seller can choose to submit loans to Impac for full underwriting.

2.0 Policy Directives

Correspondent sellers must:

- Originate loans directly through their retail/wholesale operations.
- Refer to product matrices in the Impac Mortgage Corp. Correspondent website for specific underwriting requirements.
- Verify the appraiser is not shown on Fannie Mae’s Appraiser Quality Monitoring (AQM) list.
- Close the loan in their name using their warehouse line.
  Note: Impac Warehouse Lending is available to finance conforming loans alongside jumbo loans valued up to $3 million.

2.1 Approved States for Property Origination

All agencies: All states

Exception: Missouri not allowed for the AltQM™ Series programs.

Home equity loans and junior liens are not allowed in Texas.

Note: State-specific regulatory requirements supersede all underwriting guidelines established by Impac.

2.2 Mortgage Insurance Companies

Approved mortgage insurance companies include:

- CMG Mortgage Insurance Company (Arch)
Refer to each individual loan product description for eligible types of coverage.

2.3 **Delegated Underwriting**

Delegated correspondent sellers must be specifically approved to underwrite conventional and/or government loans to Impac.

- **Conventional**: No specific eligibility requirements necessary
- **Government**: Must be HUD-approved with either a DE Underwriter and/or a VA LAPP-approved Underwriter on staff.

2.3.1 **Condo Reviews for Delegated Correspondents**

Delegated correspondent sellers are responsible for obtaining a limited review approval for Fannie Mae eligible loans or a streamlined review on Freddie Mac eligible loans.

Delegated correspondent sellers may certify an established condominium project meets all applicable Fannie Mae eligibility requirements, providing the correspondent is Fannie Mae approved. Otherwise, Impac’s Condo Review Desk must review the condo package.

2.4 **Non-Delegated Underwriting Option**

Impac offers a full underwriting program for the following programs:

- All Fannie Mae and Freddie Mac loan products
- USDA
- All Jumbo loans
- FHA and VA (including FHA 203k):
  - Reference is made to the *Correspondent Lending – Roles and Responsibilities for FHA and VA Loans Policy* which describes the
approval process through Impac for correspondent sellers to submit FHA and/or VA loans for underwriting.

- Reference is made to the FHA Section 203(k) Renovation Non-Delegated Correspondents Handbook and the FHA Section 203(k) Renovation Procedure for Non-Delegated Correspondents which provides specific requirements for originating and submitting 203(k) loans.

Loan approvals are issued subject to conditions (which will include Impac’s review and all prior to purchase conditions). The closing documents will be subject to compliance and internal Quality Control review.

Loans re-submitted to underwriting more than 2 times after the initial submission will not be eligible for purchase by Impac.

Should the correspondent seller choose the non-delegated full underwriting option, closing documents cannot be released for signing until Impac has issued a final loan approval.

2.4.1 Fannie Mae Collateral Underwriter

Fannie Mae’s Collateral Underwriter (CU) identifies appraisals with heightened risk of property eligibility or policy compliance violations, overvaluation, and appraisal quality issues. An automated risk assessment of appraisals submitted to the Uniform Collateral Data Portal return a risk score, flags, and messages to the submitting lender. All conventional loans, with the exception of jumbo loans, with risk level findings of 4, 5, and 999 require the underwriter to review the appraisal and CU messaging to determine appropriate action that may be needed (i.e., appraiser comments, additional comps, justification on valuation, or provide commentary if no action is needed if the value is well supported). Escalation to the Underwriting Manager may be necessary.

2.4.2 Condo Reviews for Non-Delegated Correspondents

Impac will obtain limited review approvals for Fannie Mae eligible loans or a streamlined review on Freddie Mac eligible loans.

Impac’s Condo Review Desk must review the condo package to certify an established condominium project.
2.5 **Rush Request Availability for Non-Delegated Underwriting**

Requests for a rush underwriting by correspondents using the non-delegated underwriting option are available with the following requirements:

- A complete loan package required with initial submission
- Rush turn times will be less than the regular posted turn times and eligibility will be determined by the Underwriting Manager and the Relationship Manager Supervisor.
- Account Executive determines if rush request is warranted. Each Account Executive is allowed 4 rush requests per month.
- The rush will be valid for the initial underwriting of the loan and clearing conditions associated with that file.
- Rush requests submitted the last week of the month will not be granted.
- A Rush fee will be deducted at time of loan purchase. Refer to the *Correspondent Lending Schedule of Fees* for the amount of the fee.

2.6 **Loan Products requiring Manual Underwriting**

- All Jumbo loan products – AUS findings are not used
- Alt QM™ loan product series require loans be submitted through a product eligibility engine (iDASL) before being submitted for manual underwriting.
- Manual underwriting required on government loans with a decision credit score below 620 and a DTI exceeding 43%.

2.6.1 **Alt QM™ Compliance Review Requirements**

In addition to the manual underwriting requirement for all Alt QM™ loans, a compliance review by a third party vendor is conducted once the loan has been approved by underwriting with only outstanding closing conditions. A second compliance review is required once the closing package and final closing conditions are received. The third party vendor must indicate the Alt QM™ loan is ‘cleared to purchase’ before the loan is purchased by Impac.
2.7 AUS Findings

Fannie Mae DU findings:

- All loan packages delivered to Impac for purchase must contain the most recent DU finding. DU findings dated after the Note Date require approval by Impac prior to purchase.
- Ensure the property type on the DU finding matches the property type on the loan submitted for underwriting or for purchase.
- If number of submissions exceeds 15, the correspondent seller must provide a letter of explanation for review.

Freddie Mac LP findings:

- Freddie Mac defines correspondent sellers as a Third Party Originator and cannot submit a loan to LP after the date showing on the signed Note. Resubmissions must occur on or before the Note Date.
- Any loans that need to be resubmitted to LP after the Note Date must be assigned to Impac via the wholesale lender selection in LP. *Important Note on Open Access loans:* Resubmissions needed after the Note Date where the first payment has been made and the previous mortgage has been paid off would likely lose the Open Access eligibility, resulting in an unsalable loan and a repurchase by the correspondent seller.
- Impac obtains a Loan Quality Advisor (LQA) on all loans prior to purchase, which may result in additional conditions.

2.8 Schedule of Fees

Refer to the Correspondent Lending Schedule of Fees for fees associated with underwriting.

- Underwriting fees will be deducted from the net proceeds wired at time of loan purchase.
- If a loan is underwritten and approved by Impac and is subsequently cancelled, a cancellation fee will be billed to the correspondent.
- If a loan is underwritten and approved by Impac, and is not cancelled, but remains inactive, the Underwriting fee will be billed to the correspondent after 45 days have lapsed from the approval date.
2.9 **Inter Vivos Revocable Trusts**

The correspondent is responsible for ensuring loans with an Inter Vivos Revocable Trust as the borrower satisfy agency requirements as summarized below:

A Living Trust is an inter vivos revocable trust that meets the following requirements:

- The trust is created by one or more Settlors during his or her lifetime;
- The trust becomes effective during the Settlor(s)’ lifetime (the Settlor is the primary beneficiary of the trust); and
- Each Settlor retains the right during his or her lifetime to revoke or amend the trust.

Refer to the loan product description for trust eligibility; any eligibility requirements specified for a trust in the loan product description must be met.

- Conventional, Jumbo loans, Alt QM™ loan series: all transaction types allowed
- FHA/VA loans: owner occupied loans only
- USDA loans: not allowed
- Eligible property types include:
  - Owner-occupied dwellings (1-4 units)
  - Condos and PUDs
  - Second home (1-4 units)
  - Manufactured Homes
  - Investment properties limited to 1 unit
- Agency limitations for Texas properties include:
  - The loan must be secured by a single-unit principal residence constituting the borrower’s homestead under Texas law.
  - Mortgages secured by two-to four-unit properties, investment properties, or second homes are not eligible.
  - Acreage limited to 20 acres as determined by Texas law
- **A Power of Attorney is allowed on properties held in a trust**

The Company is unable to provide legal advice to the borrower instructing them to deed the subject property out of their trust into their individual names for purposes of obtaining financing. Instruct borrowers to consult with their trust attorney regarding potential exposure for changing the title on the subject property to their individual names.

A Living Trust is an Inter Vivos Revocable Trust that meets the following requirements:

- The trust is created by one or more Settlors during his or her lifetime;
- The trust becomes effective during the Settlor(s)’ lifetime (the Settlor is the primary beneficiary of the trust); and
- Each Settlor retains the right during his or her lifetime to revoke or amend the trust.

### 2.9.1 Important Elements of an Inter Vivos Revocable Trust

- One of the Borrowers must be creator of the trust. The creator of the trust is usually called the Grantor, Settlor or Trust or.
- One of the Borrowers must be the trustee of the trust (or there must be an approved institutional trustee authorized to act as trustee under the laws of the applicable state).
- One Borrower must be a primary beneficiary of the trust and that individual’s income and assets must be used to qualify.
- The trustee(s) must have the authority to borrow money and pledge the trust property as security.
- An abbreviated trust document, such as a Trust Certification or Trust Abstract, can be submitted in lieu of the entire Trust Agreement if all of the elements as addressed above are satisfied or state law prohibits the entire Trust Agreement being provided.

None of the following terms can show in the Trust Agreement / Trust Cert:

- Irrevocable Trust
- Qualified Personal Residential Trust
- Institutional Trust (not to be confused with institutional trustee)
2.9.2 **Trust Documentation required:**

A complete copy of the trust agreement or Trust Certification must be provided with loan packages submitted for purchase. The correspondent seller is responsible for ensuring the trust satisfies the following:

- The trust was validly created and is duly existing under applicable law
- The trust is revocable
- The borrower is the person who created the trust and the beneficiary of the trust
- The trust assets may be used as collateral for the loan
- The trustee:
  - is duly qualified under applicable law to serve as trustee
  - is the borrower
  - is the person who created the trust
  - is fully authorized under the trust documents and applicable law to pledge or encumber the trust assets.

In lieu of the trust documents, the title company Trust Certification is acceptable for the following states: AL, AZ, CA, FL, ID, IN, IA, KS, MI, MN, MS, NE, NV, NM, NC, ND, OR, SC, SD, TX, UT, VA, VT, WV.

2.9.3 **Title and Title Insurance Requirements**

Title to the property must be vested in the name of the trustee(s) on behalf of the trust. The title insurance policy must not list any exceptions arising from the trust ownership of the property and provide full title protection to the appropriate agency.

Note: Title is vested in the name of the trust. Property must be vested to one trust only.

2.9.4 **Signature Requirements on Closing Documents**

Each trustee and each individual establishing an inter vivos revocable trust whose income and assets are used to qualify for the mortgage must separately execute the Note.
and any necessary addendum. Vesting language provided on the preliminary title report provides the verbiage for the closing documents.

Each trustee of the inter vivos revocable trust must execute the Security Instrument and any applicable rider. Each individual establishing the trust whose income and assets are used to qualify for the mortgage must sign a statement of acknowledgement on the Security Instrument and any applicable rider.

Each trustee of the inter vivos revocable trust must execute a Revocable Trust Rider. Each individual establishing the trust whose income and assets are used to qualify for the mortgage must sign a statement of acknowledgement on the Revocable Trust Rider.

- California properties: Use of Fannie Mae’s sample rider is required. *Reference: Fannie Mae Selling Guide E-2-05*
- Other states: The correspondent is responsible for verifying with the title company that the rider used reflects the requirements of that state.

- Each trustee and each individual establishing an inter vivos revocable trust whose income and assets are used to qualify for the mortgage on a refinance transaction must separately execute the Notice of Right to Cancel.
- Examples of signature lines that can be used are shown below.

<table>
<thead>
<tr>
<th>Closing Document</th>
<th>Signature line requirements appropriate for California mortgages</th>
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<tbody>
<tr>
<td>Mortgage Note for an individual trustee who is both a settlor and borrower:</td>
<td>__________, individually and as Trustee of the (insert complete legal name of trust) Trust under trust instrument dated __________.</td>
</tr>
<tr>
<td>Mortgage Note for an individual trustee who is not both a settlor and borrower:</td>
<td>__________, as Trustee of the (insert complete legal name of trust) Trust under trust instrument dated __________.</td>
</tr>
<tr>
<td>Security Instrument for all trustees:</td>
<td>__________, as Trustee of the (insert complete legal name of trust) Trust under trust instrument dated __________.</td>
</tr>
<tr>
<td>Inter Vivos Revocable Trust as Borrower Acknowledgment (may be a separate page signed by the borrowers individually and will apply to the Security Instrument and any riders, including the Inter Vivos Revocable Trust Rider):</td>
<td>BY SIGNING BELOW, the undersigned, Settlor(s) of the (insert complete legal name of trust) Trust under trust instrument dated __________, acknowledges all of the terms and covenants contained in this Security Instrument and any rider(s) thereto and agrees to be bound thereby. __________ (Seal) Trust Settlor</td>
</tr>
<tr>
<td>Inter Vivos Revocable Trust Rider</td>
<td>__________, as Trustee of the (insert complete legal name of trust) Trust under trust instrument dated __________.</td>
</tr>
<tr>
<td>Notice of Right to Cancel for an individual</td>
<td>__________, individually and as Trustee of the (insert complete legal name of trust) Trust under trust instrument dated __________.</td>
</tr>
</tbody>
</table>
2.10 **Underwriting Scenario Questions**

Questions can be emailed to UWCorrespondent@impacmail.com or by calling 888-850-0259 – Option 3 – available from 6:00 AM PST to 6:00 PM PST (Monday – Friday).

3.0 **Associated / Supplemental Documentation**

- Correspondent Lending Underwriting Review Procedure
- Correspondent Lending Loan Submission Checklist
- Correspondent Lending Roles and Responsibilities for FHA and VA Loans Policy
- Correspondent Lending Schedule of Fees

4.0 **Document Control**

Changes to this Document Control Policy must meet the approval of the SVP of Correspondent Lending, the VP Operations Manager of Correspondent Lending, and the Relationship Manager Supervisor of Correspondent Lending.

<table>
<thead>
<tr>
<th>Author</th>
<th>Description of Changes</th>
<th>Date</th>
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<tr>
<td>Linda Klingbeil</td>
<td>Updated with reference to Schedule of Fees</td>
<td>1/28/2016</td>
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<td>Linda Sepulveda</td>
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<td>1/22/2016</td>
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<td>Linda Klingbeil</td>
<td>Updated with Fannie Mae Collateral Underwriter requirements</td>
<td>1/6/2016</td>
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<td>Linda Klingbeil</td>
<td>Update to cancellation fee requirements</td>
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